2010
Annual Report

Strengthening the Church

Pension Boards
United Church of Christ

The Pension Boards
administers comprehensive employee
benefits programs for the
United Church of Christ,
providing the highest standards of
service, access and options
to active and retired
UCC clergy and lay employees.

2010
Annual Report

Report of the Chairman and President/CEO

According to the 2010 United Church of Christ Yearbook, during the 10-year period from 1999-2009, the number of UCC local churches declined 11%, church membership declined 23% and church school membership declined 36%. In the same period, membership in the Annuity Plan for the United Church of Christ increased 9%, participation in the UCC Medical Benefits Plan decreased 11%, participation in the UCC Dental Benefits Plan increased 24% and participation in the UCC Life Insurance and Disability Income (LIDI) Benefit Plan remained flat. Since 2002, the Pension Boards "right-sized" staff from 122 full-time equivalents (FTEs) to 62 FTEs by year-end 2010, while expanding product offerings and improving member service. The result is an "all in" cost of administering the Annuity Plan of 60 basis points, lowest among reporting church pension plans.

- **Compliance, Regulation and Risk Management**
  To fully comply with IRS 403(b) regulations, each UCC employer is required to complete an adoption process annually. We provide each employer with the necessary documents and instructions to comply. Employers with two or more 403(b) plans have an additional compliance duty, and we provide specific instructions for those as well. Passage of the Patient Protection and Affordable Care Act of 2010 (PPACA) on March 23, 2010 required amending the UCC Medical Benefits Plan. The conversion to Northern Trust for custodial and other banking services is complete. Staff worked with our internal auditor, RSM McGladrey, to strengthen internal controls. Additional benefits from this conversion are savings in fees and significantly enhanced workflow processes. Annuity Plan reserves are reviewed by staff and an external actuary, The Hay Group. A redundant review was conducted in 2010 by Buck Consultants. The Board of Trustees formed a special Enterprise Risk Management (ERM) Committee. An external ERM consultant, working with staff, the Committee and Board, completed its analysis of Pension Boards' operations. Implementation of recommendations will begin in 2011. The Board received two ERM briefings in 2010 and used insights gained in developing the 2011-13 strategic plan at the Board planning retreat. Business continuity planning systems are evaluated regularly, and adhere to best practices.

- **Investments**
  All Pension Boards' Funds, with the exception of the Bond Fund, outperformed their respective benchmarks in 2010. Though outperforming in the fourth quarter, the Bond Fund's lower interest rate exposure negatively impacted performance earlier in the year when interest rates fell. The allocation to alternative investments increased to 1%, in line with the Board's strategy to gradually move toward a 10% allocation in this asset class. The position of Research Analyst was filled during the year, to assist the Chief Investment Officer with manager evaluations, research and technical writing. Funding for this position is shared with United Church Funds. Corporate Social Responsibility initiatives continued to focus on green and corporate governance matters.

- **Medical and Dental Plans**
  Rates for the UCC (Non-Medicare) Health Plan increased by an average of 12% for Plan Year 2011. The UCC Medicare Supplement Plan rate increased by 5.2%. This slightly above-trend, combined increase follows eight consecutive years in which rates were about one-half trend. The principal driver for the increase was large claims, about three times the actuarial projection. In 2010, there were 94 high-cost claims which, in total, exceeded $11 million. As this Annual Report went to press, the Board of Trustees approved a one-month premium credit for participants in the Non-Medicare Plan. The credit, to be applied in the third quarter of 2011, is due to an increase in Health Plan reserves as a result of investment performance in the final quarter of 2010. Staff was fully engaged in the health care reform debate, which resulted in the Patient Protection and Affordable Care Act of 2010 (PPACA). The UCC Medical Benefits Plan is fully compliant with the provisions of the PPACA and we have chosen to remain a grandfathered plan under the new law. On July 1, 2010, the Plan extended health coverage for dependents up to age 26, six months ahead of the mandated date of January 1, 2011, at no additional cost to members for the 2010 Plan Year. A sub-committee of the Board of Trustees completed a nine-month review of the UCC Medicare Supplement Plan. The findings concluded that at this time the current Medicare Supplement Plan provides the most cost-effective coverage among comparable plan offerings. Recognizing the cost savings and benefits of the UCC Healthy Stewards Program, we renewed our commitment to the wellness initiative. Over 1,000 UCC (Non-Medicare) Plan members participated in the Optimal Health Condition Management Program in 2010, and more than 500 participated in the MyHealthIQ Wellness Program.

- **Growth and Service Goals**
  The six year-long Council on Health and Human Service Ministries (CHHSM) Growth Initiative concluded on June 30, 2010. We enrolled a new UCC-related organization in 2010 and are working with three additional prospects that may enroll during 2011. Cross-selling among Pension Boards' retirement benefit plans continues with combined net asset growth exceeding $5.3 million in 2010. Customer satisfaction surveys are sent to each member requesting service, and weekly results are reviewed by Member Services management. Satisfaction scores continue to range between 3.25-3.75 on a 4.00 scale. Customer service representatives are given specific feedback from these surveys. Annual church-wide surveys are conducted to capture the "voice of the church." Survey results are reported to the CEO and the Board.

- **Church Benefits Association (CBA) and Church Alliance**
  The Church Benefits Association is an incorporated entity with a 96-year history. It now represents 52 different denominational benefits plans for clergy and lay employees in 155,000 local churches and synagogues. The Church Alliance is an unincorporated group comprised

of denominational benefit board CEOs and meets independently on a regular basis to consider church plan threats and opportunities. During 2010, CBA member organizations participating in the Denominational Benefits Coalition renewed a contract with Medco for pharmacy benefit management that will save more than $95 million in 2011-2013 and more than $10 million from early renewal savings in 2011. The total savings to the UCC Medical Plan is over $3 million. A Washington-based public relations firm, Xenophon, was retained to assist the CBA, Church Alliance and individual denominational benefits plans with public relations challenges resulting from the severe decline in financial markets and the subsequent impact of those declines on pension benefit adjustments. Xenophon developed strategies and assisted CBA member organizations in preparing timely and appropriate responses to investigative reports by *National Public Radio* and *The Wall Street Journal*. Implications of the Patient Protection and Affordable Care Act are complicated, and some requirements are a threat to all self-insured denominational health plans. The CBA and Church Alliance, working with our Washington-based legal counsel, are attempting to resolve these legislative and regulatory matters. Likewise, we are working collaboratively to defend another emerging challenge to the clergy housing allowance exemption.

- **Ministerial Assistance**
  The Christmas Fund for the Veterans of the Cross and the Emergency Fund, administered by the Pension Boards on behalf of the United Church of Christ, is now in its 108th year of "serving those who serve the church." The Christmas Fund Offering, one of the UCC's four annual Special Mission Offerings, supports ministries to lower-income retired clergy and lay employees, as well as active clergy facing unforeseen financial crises. The need for ongoing support through Emergency Grants and Pension and Health Plan Supplementation grows in this challenging economic environment. Escalating fuel prices have had a devastating financial impact on lower-income UCC clergy and lay employees. As this Annual Report went to press, the Board of Directors of the United Church Board for Ministerial Assistance voted to provide $300,000 in Energy Assistance Grants to approximately 1,500 lower-income active and retired UCC employees. Checks in the amount of $200 will be distributed to 1,000 lower-income retirees and 500 lower-income active employees in June 2011. The annual Annuitant Visitors Meeting was a splendid success with a record turnout of 175 attendees. The goal of Annuitant Visitors is to meet with each of our 9,400+ retirees each year. A Major Gifts/Planned Giving Officer began work in late summer with a goal of doubling the size of our Ministerial Assistance Fund in the years ahead. Following three years of careful analysis and development, the United Church Board for Ministerial Assistance launched the Target 2030: Next Generation Leadership Initiative program on January 1, 2011. An excellent first class of 14 young clergy was selected for this 10-year program from a pool of 32 applicants. The Target 2030 program, whose goal is to assist and strengthen young clergy who have accepted the sacred call of parish ministry, has generated an extraordinarily high level of energy and support. Each year from now through 2020, a new class of 12-20 young clergy will be selected to participate over a 10-year period.

- **Communications and Member Education**
  Our web-based "distribution-on-demand" resources are widely used throughout the church. We now have more than 12,000 accurate member e-mail addresses, which allows us to send regular e-blasts on employee benefits topics to target audiences. A third of the Conference Ministers come to New York each year on a three-year cycle for orientation and training. WebEx online conferencing technology is offered to the Conferences and the national ministries of the church at no charge. The Pension Boards' WebEx license provides 60 "hubs" that can connect with up to 250 "spokes," all capable of operating simultaneously. Wider Church Ministries and 30 Conferences have now adopted this technology. We conducted 11 Regional Member Education events in addition to monthly topic-specific Member Education conference calls and webinars. We are continuing to improve the content on the website while exploring new social networking media such as Twitter and YouTube, which are of greater interest to younger clergy.

This year's goals and activities were accomplished within a budget that over the past five years has increased 3.29%; less than the Northeast Region, Urban CPI change of 14.50% and the Nationwide Urban CPI change of 13.70%.

It continues to be a privilege and blessing to lead an incredible staff, and serve the thousands of clergy and lay employees who depend upon us as they provide leadership and ministry to all settings of our church.

Faithfully,

Michael A. Downs
President/CEO

Dan J. Carwile
Chairman, Board of Trustees

Report of the Chief Investment Officer

2010 Review

Over the course of 2010, global equity markets experienced some rocky periods but generally ended the year on a strong note. Earlier in the year, concerns about the potential defaults of weaker, over-indebted countries in the European Union on their debt obligations rattled the markets only to be followed by the tragic explosion of an oil well in the Gulf of Mexico that took 11 lives and more than three months to cap. The May 6 "flash crash," which saw the Dow Jones Industrial Average plunge more than 600 points in several minutes before recovering much of the plunge moments later, made investors wary. By early summer, worries over growing deficits, decelerating growth and deflation in developed markets, including the U.S., and rising interest rates in some emerging economies had equity markets in a swoon.

However, by late summer, economic releases had diminished the probability of a double-dip recession, optimism over growing corporate profits returned and the Federal Reserve announced additional purchases of government securities (known as quantitative easing or QE2). With worries abating, the Standard & Poor's (S&P) 500 recorded its strongest September advance since 1939. This, combined with strong results in the final quarter of the year, propelled many world stock markets to a second consecutive year of double-digit gains.

Emerging markets, although weakening in the latter part of 2010, topped the performance charts with a return of 18.88% as measured by the MSCI Emerging Markets Index. The U.S. was not far behind, with the S&P 500 returning 15.06%. International developed stocks recovered from double-digit losses in the earlier part of the year to return 7.75% as measured by the MSCI Europe, Asia, Far East (EAFE) Index.

Bond returns were also healthy in 2010. U.S. bonds, as represented by the Barclays Capital U.S. Government/Credit Index, had a 6.59% return. Concerns about deflation and the sustainability of economic growth in the first three quarters kept U.S. Treasury yields on a downward trajectory. The drop in yield levels more than offset a widening of corporate credit spreads (the extra yield over Treasuries) during this period. In the fourth quarter, however, interest rates rose amid renewed economic optimism, and corporate spreads narrowed. In the final quarter of the year, returns for bonds overall were negative, shaving off some of the return posted in earlier quarters.

Marked by fits and starts, the U.S. economy grew 2.9% in 2010—a welcome rebound after receding 2.6% in 2009 but slower than many post-recession recoveries. With job creation remaining sluggish, unemployment remained uncomfortably high, ending the year at 9.4%. Concerns about deflation and inflation rose and fell throughout the year. As measured by the Consumer Price Index, inflation increased 1.5% in 2010. With core measures of inflation remaining below target and high unemployment, the Federal Reserve maintained its benchmark federal funds rate unchanged through 2010—with a target range of 0% to 0.25% —and committed to keeping it low for an extended period to bolster the economic recovery.

Outlook

As we head into 2011, some economists are convinced that the U.S. economy is on firmer footing while others are skeptical that the U.S. is on a sustainable growth path. The issues that contributed to market volatility in 2010 are still with us while new issues have come to the fore early in 2011. Increased geopolitical risk in the Middle East, higher commodity prices (especially oil which has breached $100 per barrel), and proposed legislative measures to rein in the U.S. budget deficit have the potential to unnerve investor optimism. According to *The Economist*, a rule of thumb is that a 10% increase in the price of oil will cut a quarter of a percentage point off global growth. Although the oil price may not rise enough to stop growth cold, higher, sustained prices are likely to sap some growth and raise inflation expectations. As of this writing, economists expect the U.S. economy to grow 3.0% and the global economy to grow 4.1%. The unemployment rate in the U.S. is expected to average 8.9% in 2011 while inflation expectations remain modest at 2.3%. The Federal Reserve is likely to keep interest rates on hold for much of the year. According to Thomson Reuters, operating earnings are expected to increase slightly more than 11% in 2011. Improving economic conditions, low interest rates, growing earnings and relatively attractive stock valuations contribute to an environment conducive to further market gains in 2011. However, further gains will nonetheless face hurdles along the way. High unemployment, fiscal deficits at the federal, state and municipal level, rising commodity prices (especially food and energy), and social unrest in the Middle East will challenge consumer confidence. If these challenges are successfully addressed, financial assets should continue to deliver positive returns, with equities in 2011 once again delivering higher returns than bonds.

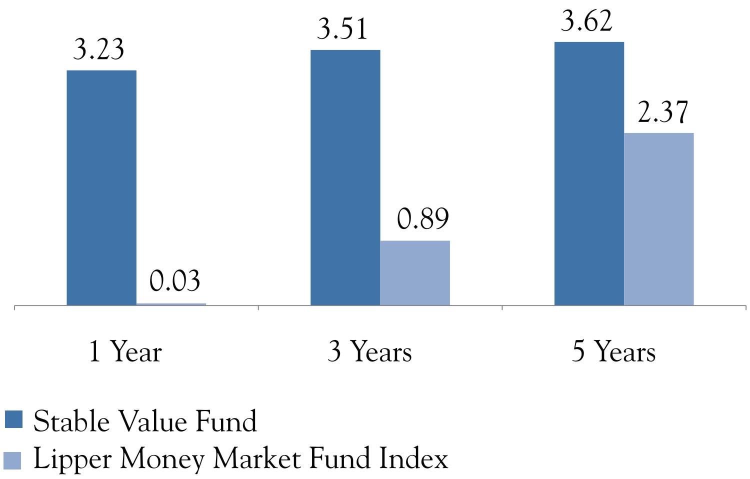
Accumulation Fund Performance

The following are comments on and charts illustrating fund performance for various periods as of December 31, 2010. Asset allocation at year-end is shown as well. Fund performance, as shown, is net of all expenses.

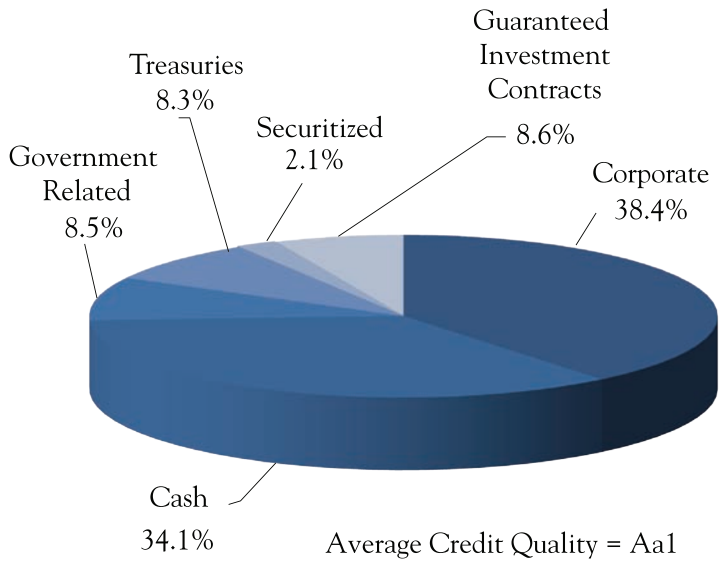
Stable Value Fund

In 2010, the Stable Value Fund had a total return of 3.23% versus 0.03% for the Lipper Money Market Fund Index. The Stable Value Fund has continued to maintain a higher yield than the Lipper Money Market Fund Index, as money market yields remained low throughout 2010. The Fund seeks a principal preservation strategy that expects to maintain a stable unit value of $1.00 per unit while earning a level of income that is consistent with short- and intermediate-term bonds.

Fund Performance



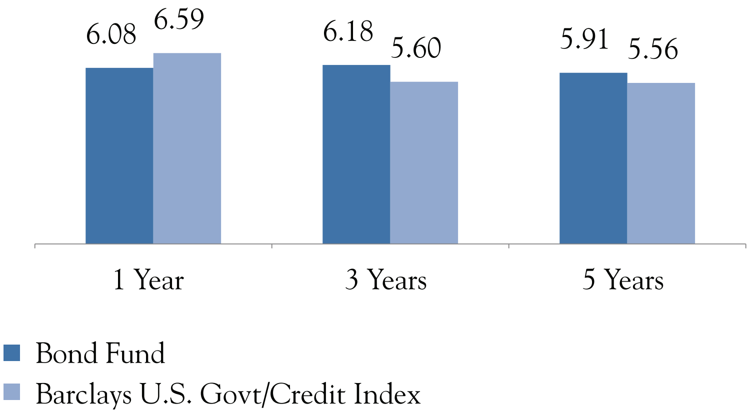
Asset Allocation



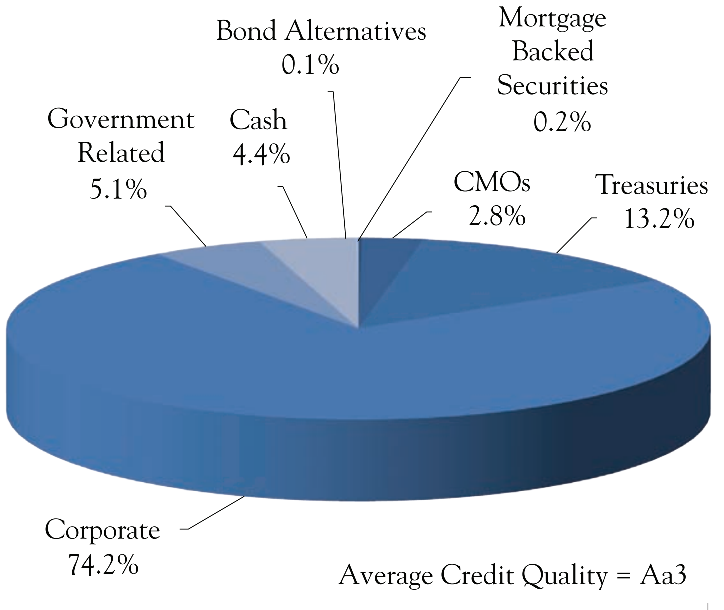
Bond Fund

In 2010, the Bond Fund had a total return of 6.08% versus 6.59% for the Barclays U.S. Government/Credit Index. The Fund, which had a modestly lower duration than the Index, was positioned to benefit from improving economic fundamentals and a potential rise in interest rates. However, economic uncertainty in the first half of the year led to interest rates declining, which softened the Fund's relative performance. The Fund's overweight position in corporate bonds versus Treasuries was positive, as corporate bonds outperformed. The Fund continues to offer a yield higher than the Index and remains overweight in corporate bonds where relative valuations are attractive.

Fund Performance



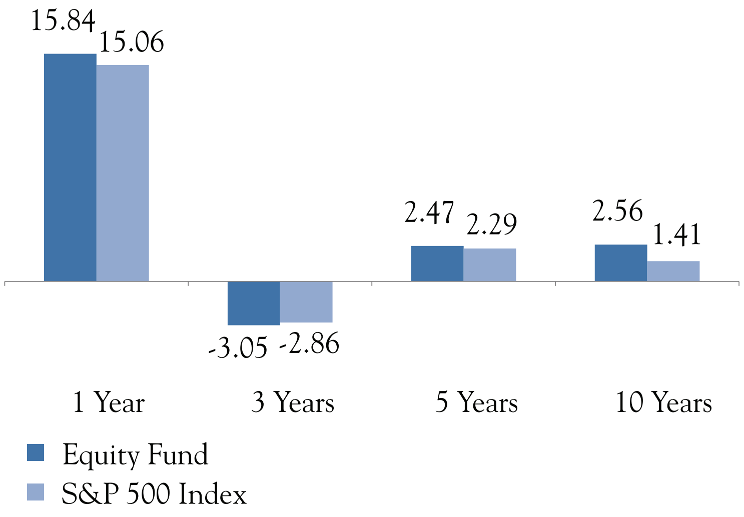
Asset Allocation



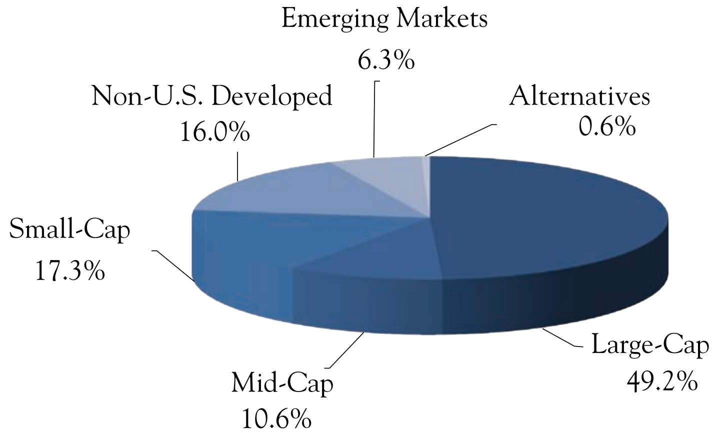
Equity Fund

In 2010, the Equity Fund had a total return of 15.84% versus 15.06% for the S&P 500 Index. The Fund benefitted from allocations to emerging markets and U.S. small capitalization stocks. International markets, overall, lagged the U.S.; however, our international managers outperformed their benchmarks. As the allocation chart illustrates, the Fund is well diversified by geography, market capitalization and style (value and growth).

Fund Performance



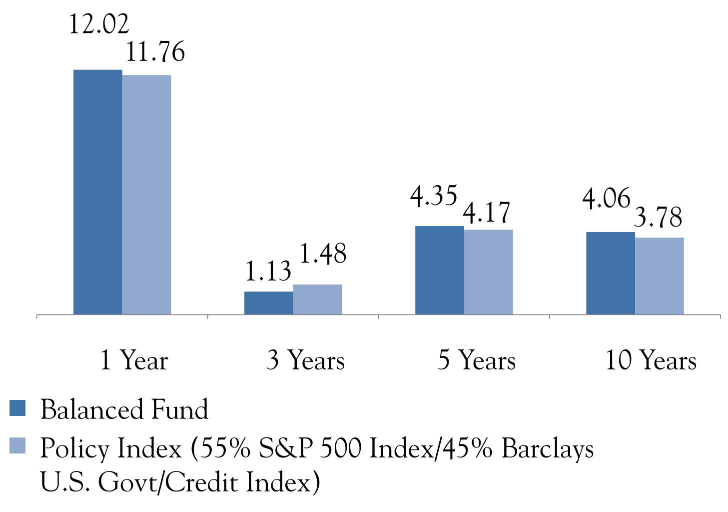
Asset Allocation



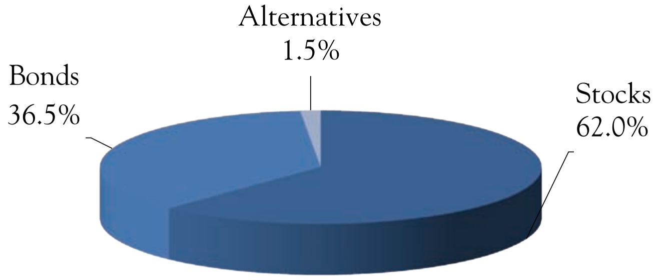
Balanced Fund

In 2010, the Balanced Fund had a total return of 12.02% versus 11.76% for the policy benchmark (55% S&P 500 Index/45% Barclays U.S. Government/Credit Index). The Balanced Fund invests in the Equity and Bond Funds. The Balanced Fund benefitted from the benchmark-beating performance of the Equity Fund for the year as well as a larger allocation to equities relative to the benchmark.

Fund Performance

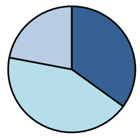
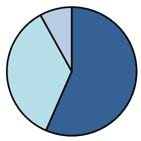
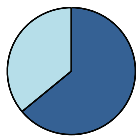
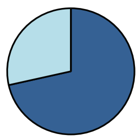


Asset Allocation



Target Annuitization Date Funds

The Target Annuitization Date (TAD) Funds are invested in the Equity, Bond and Stable Value Funds according to predetermined asset allocation glide paths that become more conservative as the target annuitization date approaches. As the target date approaches, a higher allocation is given to the Bond and Stable Value Funds and less to the Equity Fund, which is more volatile than the other two Funds. Asset allocation is adjusted twice a year to conform to the established allocations. The performance of the TAD Funds reflects the underlying performance of the Funds in which they are invested.

Target Annuitization Date Fund	Target Asset Allocation	Total Return	
		1 Year	3 Years
2015	 23.5% 31.5% 45.0%	8.26%	1.41%
2020	 9.0% 35.2% 55.8%	11.15%	1.32%
2025	 36.8% 63.2%	11.82%	-0.24%
2030	 29.2% 70.8%	12.83%	-0.38%

Equity Fund   Bond Fund   Stable Value Fund

Fees

Expenses (or expense ratios) are reported as the percentage of total expenses for the management and administration of the funds divided by the total average assets of the fund. Expenses in 2010 for the Equity Fund were 0.67% compared to an average expense ratio of 1.60% as reported by Morningstar for equity funds with global securities similar to the types of securities in our Fund. Expenses for the Bond Fund were 0.41% compared to the Morningstar average of 0.97% for similar funds. The Balanced Fund had expenses of 0.59% compared to the Morningstar average of 1.36% for similar funds. Expenses for the Stable Value Fund in 2010 were 0.51%. Expenses for the TAD 2015, 2020, 2025 and 2030 Funds were 0.46%, 0.55%, 0.58% and 0.61%, respectively.

Annuities

Members have a choice of two annuities—the Participating Annuity and the Basic Annuity—which were introduced on April 1, 2006. Benefit payment adjustments for these annuities, if any, are made annually at the beginning of each year. January 1, 2007 was the first adjustment date for these annuities.

Annuitants who retired prior to April 1, 2006 and who chose to remain in the Equity Benefit and Balanced Benefit Annuities continue to receive payments as they have in the past, with payment adjustments effective April 1 and October 1.

Participating Annuity

The assets supporting this annuity are invested in a balanced portfolio of stocks and bonds (targeted with a 60% allocation to stocks and 40% allocation to bonds). Over longer periods of time, this annuity should produce average returns that are higher than the 4% return assumption built into the base level of annuity benefits and should allow for benefit increases from time to time that are expected to continue to be paid over the annuitant's lifetime. Of course, if investment and mortality experience result in decreased assets that no longer support the benefit levels, then monthly benefit payments may be reduced. Benefit payments increased 3.5% and 6.0% on January 1, 2007 and 2008, respectively, and were unchanged on January 1, 2009 and 2010.

Basic Annuity

The assets supporting this annuity are invested entirely in fixed-income securities that overall have high quality ratings. Given that most of these securities pay a fixed amount of interest, it is expected that these securities will produce an average investment return that is close to the 4% return assumption built into the base level annuity benefits. For this reason, it is not expected that the benefit will be adjusted to increase or decrease in the near-term future. However, if interest rates rise or fall significantly above or below the 4% earnings assumption, there is always a possibility that the benefit could change. Benefit payments have remained the same since inception of the Fund on April 1, 2006.

Equity Benefit Annuity

(Closed to new investment since April 1, 2006)

Payments from this annuity are supported 100% by equity securities and fluctuate with the movement in equities with a three-month lag. Payments are adjusted twice a year, effective April 1 and October 1, and incorporate the 4% annual growth assumption that is built into the level of a member's initial annuity payment. On April 1, 2010, the annuity increased 18.87%, reflecting the market rebound over the last six months of 2009. On October 1, 2010, the annuity decreased 8.54%, reflecting the decline in stocks over the first six months of 2010. Stock returns in the second half of 2010 were strong, resulting in a 22.01% increase effective April 1, 2011.

Balanced Benefit Annuity

(Closed to new investment since April 1, 2006)

Payments from this annuity are supported by investments in fixed-income and equity securities and fluctuate with movements in equity and fixed-income markets with a three-month lag. Payments are adjusted twice a year, effective on April 1 and October 1 and incorporate the 4% annual growth assumption that is built into the level of a member's initial annuity payment. On April 1, 2010, the annuity increased 13.57%, reflecting the market rebound over the last six months of 2009. On October 1, 2010, the annuity decreased 3.83%, reflecting the decline in stocks in the first six months of 2010. Stock returns in the second half of 2010 were strong, resulting in a 12.18% increase effective April 1, 2011.

Selected Data

The table below highlights important aspects of The Pension Boards–United Church of Christ's stewardship obligations.
For comparison purposes, data has been provided for the years ending December 31, 2010, 2009 and 2000.

Dollar amounts in thousands except for member counts and average compensation	2010	2009	2000	Percent Change 2010-2009	Percent Change 2010-2000
Total Assets	$ 3,139,556	$ 2,844,908	$ 2,481,131	10.4%	26.5%
Net Assets	$ 2,878,569	$ 2,684,515	$ 2,462,731	7.2%	16.9%
Retiree Data					
Net Assets of Annuitants	$ 1,425,275	$ 1,320,076	$ 1,125,668	8.0%	26.6%
Benefits Paid	$ 107,079	$ 106,181	$ 94,642	0.8%	13.1%
Number of Annuitants	9,622	9,423	7,645	2.1%	25.9%
Pre-Retiree Data					
Net Assets of Accumulation Members	$ 1,245,638	$ 1,173,236	$ 1,236,508	6.2%	0.7%
Number of Active Members	5,661	5,712	7,077	-0.9%	-20.0%
Number of Inactive Members	6,442	6,355	5,744	1.4%	12.2%
Ministerial Assistance and Supplementation Data					
Emergency and Regular Grants	$ 688	$ 1,736	$ 540	-60.4%	27.4%
Christmas Gift Checks	$ 196	$ 204	$ 178	-3.9%	10.1%
Supplementation of Small Annuity Grants	$ 1,288	$ 1,223	$ 983	5.3%	31.0%
Health Supplementation Grants	$ 650	$ 650	$ 650	0.0%	0.0%
Benefit Services Data					
Health Benefits:					
Health Benefits Paid to Non-Medicare Members	$ 29,267	$ 31,136	$ 20,627	-6.0%	41.9%
Health Benefits Paid to Medicare Members	$ 4,122	$ 4,431	$ 3,082	-7.0%	33.7%
Pharmacy Benefits Paid	$ 13,269	$ 15,722	$ 6,274	-15.6%	111.5%
Number of Non-Medicare Members	3,122	3,180	2,676	-1.8%	16.7%
Number of Medicare Members	2,499	2,496	3,425	0.1%	-27.0%
Number of Claims	178,349	188,391	*Note 1	-5.3%	N/A
Dental Benefits:					
Dental Benefits Paid	$ 2,787	$ 2,688	$ 2,194	3.7%	27.0%
Number of Dental Members	4,872	6,293	6,101	-22.6%	-20.1%
Number of Claims	42,124	40,893	*Note 1	3.0%	N/A
Life Insurance Plan:					
Total Insurance Coverage	$ 153,238	$ 157,839	$ 165,000	-2.9%	-7.1%
Life Insurance Benefits Paid	$ 716	$ 749	$ 253	-4.4%	183.0%
Number of Plan Members	5,103	5,171	5,446	-1.3%	-6.3%
Long-Term Disability:					
Benefits Paid	$ 485	$ 657	$ 775	-26.2%	-37.4%
Members Receiving Benefits	44	52	54	-15.4%	-18.5%
Short-Term Disability:					
Benefits Paid	$ 155	$ 90	*Note 1	72.2%	N/A
Members Receiving Benefits	28	22	*Note 1	27.3%	N/A
Clergy Compensation					
Average Annual Compensation of Male Clergy	$ 57,049	$ 56,066	*Note 1	1.8%	N/A
Average Annual Compensation of Female Clergy	$ 48,877	$ 48,083	*Note 1	1.7%	N/A
Percentage of Male Clergy Receiving Dues at 14% of Salary Basis	84.5%	86.3%	*Note 1	-2.1%	N/A
Percentage of Female Clergy Receiving Dues at 14% of Salary Basis	87.0%	87.8%	*Note 1	-0.9%	N/A

Note 1: Not Available

2010 Gifts and Legacies

$350,000 - Over

Reverend Dr. Christine Skelton Bequest

$100,000 - $350,000

Reverend A. Karl Phillippi Bequest

$20,000 - $100,000

Prospect Heights Community Church
Reverend Donald Stumpf Bequest
Reverend Joseph E. Roy Memorial Fund

$5,000 - $20,000

John A. Beard Trust
Edith H. Fobes Charitable Trust
Reverend Hubert Beckwith Bequest

Up to $5,000

The Reverend Dr. George A. Ehrgood & Sue M. Griffith Ehrgood Charitable Trust
Helen J. Busiel Trust
Howard P. Dallas Trust
Anonymous Donor (5)
The Pittsburgh Foundation Grant from C.H. Snyder Fund
Christ Homewood Fund
Gilman L. Parker Trust

The Pension Boards–United Church of Christ, Inc.

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United Church of Christ

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Report of Management

Responsibility for the integrity and objectivity of the financial information presented in this Annual Report resides with the management of The Pension Boards-United Church of Christ, Inc. (the "Pension Boards"). The accompanying financial statements have been prepared in accordance with accounting principles generally accepted in the United States of America, applying certain estimates and judgments as required.

The 20-member Board of Trustees, all of whom are independent of the Pension Boards' internal management, oversees the financial statements through its Audit Committee. The Audit Committee is responsible for recommending to the Board of Trustees the appointment of independent public accountants and for approving their compensation.

The Pension Boards' financial statements have been audited by Ernst & Young LLP, independent auditors, whose report appears on Page 13. The independent auditors, engaged to express an opinion on the financial statements, meet periodically with, and have been given free access to the Audit Committee, without management present, to discuss internal controls, auditing and financial reporting matters.

The Pension Boards' system of internal control plays an important role in meeting its responsibilities for reliable financial statements. It is designed to provide reasonable assurance that assets are safeguarded and that transactions are properly recorded and executed in accordance with management's authorization. The control environment is enhanced by the selection and training of competent personnel; the retention of an independent, internal auditor; maintaining and reinforcing the highest standards of conduct by employees in carrying out the Pension Boards' affairs (including providing employees with the ability to anonymously report concerns under a Whistleblower Policy); organizational arrangements that provide for segregation of duties and delegation of authority; and, the communication of accounting and operating policies and procedures to employees.

In the event of unforeseen irregularities or errors, management believes the Pension Boards' internal accounting control system provides reasonable assurance that errors or irregularities that could be material to the financial statements are prevented or would be detected on a timely basis and corrected in the normal course of business.

Michael A. Downs
President/Chief Executive Officer

Maxine Seifert
Chief Financial Officer/Treasurer

March 31, 2011

Ernst & Young LLP
5 Times Square
New York, New York 10036-6530
Tel: 212 773 3000

Report of Independent Auditors

The Board of Trustees of
The Pension Boards-United Church of Christ, Inc.

We have audited the accompanying combined statements of net assets of The Pension Boards-United Church of Christ, Inc. (the "Pension Boards") as of December 31, 2010 and 2009, and the related combined statements of activities and cash flows for the years then ended. These financial statements are the responsibility of the Pension Boards' management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. We were not engaged to perform an audit of Pension Boards' internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Pension Boards' internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the combined net assets of the Pension Boards as of December 31, 2010 and 2009, and the combined changes in their net assets and their cash flows for the years then ended in conformity with U.S. generally accepted accounting principles.

Ernst & Young LLP

March 31, 2011

THE PENSION BOARDS–UNITED CHURCH OF CHRIST, INC.
COMBINED STATEMENTS OF NET ASSETS
(Dollars in Thousands)

	December 31, 2010	December 31, 2009
ASSETS		
Cash	$ 937	$ 2,944
Investments	2,875,046	2,673,458
Securities lending collateral	247,774	147,010
Accrued investment income receivable	12,725	13,092
Due from brokers for securities sales	231	5,138
Other assets	2,843	3,266
Total assets	3,139,556	2,844,908
LIABILITIES		
Cash overdraft	409	1,103
Payables under securities lending agreements	247,774	147,010
Due to brokers for securities purchases	2,156	1,721
Health benefits payable	4,832	3,925
Deferred income	3,472	4,096
Other liabilities	2,344	2,538
Total liabilities	260,987	160,393
NET ASSETS	$ 2,878,569	$ 2,684,515
NET ASSETS BY FUND		
UNRESTRICTED NET ASSETS		
Annuitant fund	$ 1,425,275	$ 1,320,076
Accumulation fund	1,245,638	1,173,236
Benefit services fund	98,819	90,067
Ministerial Assistance fund	45,382	43,023
Operating fund	12,005	9,761
Total unrestricted net assets	2,827,119	2,636,163
TEMPORARILY RESTRICTED NET ASSETS		
Ministerial Assistance fund	3,528	2,957
Operating fund	580	477
Total temporarily restricted net assets	4,108	3,434
PERMANENTLY RESTRICTED NET ASSETS		
Ministerial Assistance fund endowments	4,697	4,697
Operating fund endowments	42,645	40,221
Total permanently restricted net assets	47,342	44,918
TOTAL NET ASSETS	$ 2,878,569	$ 2,684,515

See notes to Combined Financial Statements.

THE PENSION BOARDS–UNITED CHURCH OF CHRIST, INC.
COMBINED STATEMENTS OF ACTIVITIES
(Dollars in Thousands)

	Year Ended December 31, 2010	Year Ended December 31, 2009
ADDITIONS		
Realized and unrealized gains	$ 206,888	$ 290,681
Investment income	85,794	88,480
Health services premiums	57,422	63,908
Employer pension contributions	33,226	34,146
Member pension contributions	7,421	6,235
Christmas Fund appeal	1,493	1,504
Our Church's Wider Mission	510	509
Donations and legacies	670	139
Other	655	542
Total additions	394,079	486,144
DEDUCTIONS		
Pension payments to annuitants	107,079	106,181
Partial withdrawals and lump-sum payments	15,144	8,613
Health services claims	51,458	55,941
Health services costs	5,629	7,398
Retirement benefits administration and investment costs	16,610	16,775
Ministerial Assistance grants	2,822	3,813
Ministerial Assistance programs and administration costs	1,283	1,000
Total deductions	200,025	199,721
INCREASE IN NET ASSETS	$ 194,054	$ 286,423
COMPOSITION OF CHANGE IN NET ASSETS		
Increase in unrestricted net assets	190,956	280,422
Increase in temporarily restricted net assets	674	1,044
Increase in permanently restricted net assets	2,424	4,957
INCREASE IN NET ASSETS	$ 194,054	$ 286,423

See notes to Combined Financial Statements.

THE PENSION BOARDS–UNITED CHURCH OF CHRIST, INC.
COMBINED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009
(Dollars in Thousands)

	2010	2009
CASH FLOWS FROM OPERATING ACTIVITIES:		
Cash received from members and employers for pension plan	$ 40,766	$ 40,464
Cash received from members and employers for health services premiums	56,999	63,934
Cash received from Our Church's Wider Mission	510	558
Cash received from Christmas Fund appeal	1,493	1,504
Cash received from contributors	670	139
Cash received from income on investments	69,811	68,055
Miscellaneous receipts	648	540
Payments made to annuitants, members and beneficiaries from the pension plan	(122,216)	(114,816)
Payments made to participants and providers from the health services claims and costs	(50,533)	(56,061)
Cash paid to employees, suppliers and providers of services	(22,043)	(22,842)
Grants disbursed	(2,822)	(3,813)
Net cash used in operating activities	(26,717)	(22,338)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Proceeds from sales of investments	2,029,934	2,982,761
Purchase of investments	(2,004,482)	(2,958,970)
Purchase of equipment	(48)	(36)
Net cash provided by investing activities	25,404	23,755
NET (DECREASE) INCREASE IN CASH	(1,313)	1,417
NET CASH, BEGINNING OF YEAR	1,841	424
NET CASH, END OF YEAR	$ 528	$ 1,841
COMPOSITION OF NET CASH, END OF YEAR		
Cash	$ 937	$ 2,944
Cash overdraft	(409)	(1,103)
NET CASH, END OF YEAR	$ 528	$ 1,841

Continued

See notes to Combined Financial Statements.

THE PENSION BOARDS–UNITED CHURCH OF CHRIST, INC.
COMBINED STATEMENTS OF CASH FLOWS
Years Ended December 31, 2010 and 2009
(Dollars in Thousands)
(Continued)

	2010	2009
RECONCILIATION OF INCREASE IN NET ASSETS TO NET CASH USED IN OPERATING ACTIVITIES:		
Increase in net assets	$ 194,054	$ 286,423
Adjustments to reconcile increase in net assets to net cash used in operating activities:		
Depreciation and amortization	269	647
Net investment (gains)	(206,888)	(290,681)
Accretion of discount on investments	(12,151)	(12,671)
Income reinvested	(2,659)	(4,297)
Decrease (Increase) in accrued investment income receivable	367	(2,089)
Decrease (Increase) in other assets	202	(515)
Increase (Decrease) in health benefits payable	907	(107)
(Decrease) Increase in deferred income	(624)	214
(Decrease) Increase in other liabilities	(194)	738
Net cash used in operating activities	$ (26,717)	$ (22,338)

See notes to Combined Financial Statements.

1. ORGANIZATION

The Pension Boards-United Church of Christ, Inc. (the "Pension Boards"), an Affiliated Ministry of the United Church of Christ ("UCC"), provides retirement, disability, life insurance, medical, dental and vision benefits for clergy and lay employees of the UCC, its predecessor religious denominations and UCC-related organizations, through the administration of retirement and other benefit plans. As an Affiliated Ministry of the UCC, the Pension Boards is able to serve all other ministries of the UCC. The Pension Boards also acts as the investment-holding corporation and manages investments in commingled pools of common investment types.

United Church Board for Ministerial Assistance, Inc. ("Ministerial Assistance") holds, manages and distributes funds for the assistance and relief of ministers of the UCC, Congregational Christian ministers who have not elected to become ministers of the UCC, and the families of any such ministers. Ministerial Assistance maintains The Christmas Fund for the Veterans of the Cross and the Emergency Fund to receive contributions from an annual church-wide appeal. These contributions help provide pension and health premium supplementation to lower-income retired church workers, emergency assistance to clergy families in need and Christmas checks to lower-income annuitants.

The Pension Boards, a New Jersey nonprofit corporation, and Ministerial Assistance, a Connecticut nonstock (nonprofit) corporation, are private organizations exempt from federal income tax under Section 501(c)(3) of the Internal Revenue Code of 1986, as amended ("Code").

2. RETIREMENT PLAN

The Pension Boards is the plan sponsor of the Annuity Plan for the UCC, as amended, (the "Annuity Plan"), which is a defined contribution plan and is a tax-exempt retirement income account program described in section 403(b)(9) of the Code. The Annuity Plan is a Church Plan within the meaning of Code section 414(e) and is not subject to the Employee Retirement Income Security Act of 1974 ("ERISA"). The Pension Boards is the Trustee of the Annuity Fund Trust (the "Trust"), which was established to hold in trust money and other property of the Annuity Plan on behalf of and for the benefit of members and beneficiaries of the Annuity Plan.

Accumulation Fund

The Pension Boards maintains a separate account or accounts for each member. Member and employer contributions are credited to members' accounts and are invested according to instructions received from members. Contributions may be allocated by members, in five percent increments, among any or all of the following investment funds: the Pension Boards Stable Value Fund, the Pension Boards Bond Fund, the Pension Boards Equity Fund, the Pension Boards Balanced Fund and four Pension Boards Target Annuitization Date Funds. Investment results are credited or charged to members' accounts in accordance with provisions of the Annuity Plan. With prior written notice, members may change their allocation of current account balances and future contributions effective the first day of the following month. The accounts of active and inactive members who are not yet retired are included in the Accumulation Fund.

Annuitant Fund

Reserves for Annuitants, which contain funds designated to provide for annuity payments to annuitant members, are included in the Annuitant Fund. Upon retirement, all or a portion of the value of a member's individual accumulation account in the Annuity Plan is transferred to Reserves for Annuitants and is used to fund actuarially determined monthly benefit payments of a variable amount. Members may choose among various annuity options, all of which provide a lifetime income for members and all but one of which makes provision for beneficiaries named by the members. Monthly retirement income is determined based upon the age of the member (and that of a Joint Annuitant, if applicable), the amount of assets in a member's accumulation account and the form in which the benefit will be paid (for example, Single Life Annuity, or Joint and Survivor Annuity), using an assumed investment rate of return of 4% per year. Retirees may elect to receive either a Basic or Participating Annuity. The Basic Annuity has supporting investments in fixed-income securities. The Participating Annuity has supporting investments comprised of both fixed-income and equity securities with a target allocation of 60% to equities and 40% to fixed-income securities.

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Fund Accounting

The accounts of the Pension Boards are maintained in accordance with the principles of fund accounting. Under these principles, resources are classified into funds according to their nature and purpose. In addition to the Accumulation and Annuitant Funds described in Note 2, the financial statements include Benefit Services, Ministerial Assistance and Operating Funds. The Benefit Services Fund includes net assets and activities relating to medical, dental, vision, disability and life insurance plans. Self-insured short-term disability, medical, dental and vision plans are administered by third-party administrators. The Pension Boards also offers members a life insurance and long-term disability income benefit plan, which is underwritten by an independent commercial insurance carrier. The Operating Fund includes net asset and activities relating to the administrative functions of the Pension Boards.

Basis of Accounting

The accompanying combined, accrual basis, comparative financial statements include the assets, liabilities, activities and cash flows of the Pension Boards and Ministerial Assistance as if they were legally combined into one entity. All inter-corporate balances have been eliminated in the combination.

Reclassification

Certain information from the prior year financial statements has been reclassified to conform to the current year presentation format.

Management Estimates

The preparation of financial statements in conformity with generally accepted accounting principles ("GAAP") requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

New Accounting Pronouncements

In January 2010, the Financial Accounting Standards Board issued ASU 2010-06, "Improving Disclosures about Fair Value Measurements" ("ASU 2010-6"). The standard amends ASC Topic 820, "Fair Value Measurements and Disclosures" to require more detailed information about valuations and additional disclosures related to transfers between levels in the hierarchy of fair value measurements. ASU 2010-6 is effective for interim and annual fiscal years beginning after December 15, 2009. The standard does not change how fair values are measured; accordingly, the standard did not have an impact on the net assets, activities or cash flows of the Pension Boards.

Investments

Investments under management are commingled and held by the Pension Boards' custodial bank pursuant to a Master Custody Agreement. The Investment Committee of the Board of Trustees is responsible for supervising the Pension Board's investment program.

Investment transactions are accounted for on the date the securities are purchased or sold, which is the trade date. A corresponding payable to or receivable from the transaction counterparty is recorded until cash and securities are exchanged on the settlement date. Dividend income is recorded on the ex-dividend date. Interest income is accrued as earned. Realized gain or loss represents the difference between the proceeds received on a sale of a security and its historical cost. Unrealized appreciation or depreciation is the difference between the fair value of a security and its historical cost.

Investments are reported at fair value. The fair value of a financial instrument is the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date (the exit price). Securities traded in active markets on national and international securities exchanges are valued at closing prices on the last business day of each year presented. Securities traded in markets that are not considered active are valued based on quoted market prices, broker or dealer quotations, or alternative pricing sources with reasonable levels of price transparency. Securities that trade infrequently and therefore have little or no price transparency are valued using management's best estimates.

Investment securities, in general, are exposed to various risks, such as interest rate, credit, liquidity and overall market volatility risks. Due to the level of risk associated with certain investment securities, it is possible that changes in the values of investment securities will occur in the near term and those changes could materially affect the amounts reported in the Combined Statements of Net Assets.

The Statement of Investment Policy of the Pension Boards establishes guidelines relating to permissible investments and to diversification, liquidity, duration, concentration and quality of investments. The policy was revised in 2010 to permit the purchase and sale of S&P 500 Index futures contracts by an external investment manager to equitize cash in the management of the S&P 500 Index strategy. Pension Boards staff monitors adherence to the policy and guidelines by investment managers.

Cash Overdraft
The Pension Boards maintains a zero balance checking account. As checks are written, they are recorded as disbursements in the financial statements. Checks are funded as presented to the bank for payment.

Revenue Recognition
Employer and member retirement contributions and benefit services premiums are recorded when received. Benefit Services premiums that are paid prior to the insured period are shown as deferred income on the accompanying Combined Statements of Net Assets.

Donations are recognized as revenue in the year in which the unconditional promise to give is received.

Subsequent events
The Pension Boards has evaluated events and transactions occurring between January 1, 2011 and March 31, 2011, which is the date the financial statements were available to be issued, for disclosure and recognition in the financial statements.

4. NET ASSETS

Net Assets are classified as unrestricted, temporarily restricted and permanently restricted. Accordingly, net assets and changes herein are classified and reported as follows:

Unrestricted net assets
Net assets that are not subject to donor-imposed stipulations or the donor-imposed restrictions have expired. Unrestricted net assets of the Annuitant Fund and the Accumulation Fund are funds associated with providing retirement benefits for present annuitants and active and inactive members who are not retired, respectively. Unrestricted net assets of Ministerial Assistance are Board-designated funds functioning as endowments (see Note 8). Unrestricted net assets of the Operating Fund as of December 31, 2010 include the following: Board-designated funds functioning as endowments of $3.4 million, Funds designated for long-term capital expenditures of $1.5 million, Funds designated for supplementing small annuities of $6.8 million and other funds of $.3 million.

Temporarily restricted net assets
Net assets that are subject to donor-imposed restrictions either for use during a specified time period or for a particular purpose. When a donor-imposed restriction is fulfilled or when a time restriction ends, temporarily restricted net assets are reclassified to unrestricted net assets.

Permanently restricted net assets
Net assets that are subject to permanent, donor-imposed restrictions.

5. INVESTMENTS

At December 31, 2010 and 2009 investments were as follows:
(Dollars in Thousands)

	2010	2009
STABLE VALUE FUND INVESTMENTS		
Institutional Money Market Fund shares	$ 64,924	$ 52,861
Guaranteed investment contracts	-	1,893
Fixed maturity synthetic guaranteed investment contracts:		
Mortgage-backed and asset-backed securities	13,187	29,560
Constant duration synthetic guaranteed investment contracts:		
Corporate Bonds	73,044	71,511
U.S. Government Notes & Bonds	44,410	25,268
U.S. Government Agency and Commercial Mortgage-backed securities	4,807	6,993
TOTAL STABLE FUND VALUE INVESTMENTS	200,372	188,086
SHORT-TERM INVESTMENTS		
Institutional Money Market Fund shares	79,325	76,228
TOTAL SHORT-TERM INVESTMENTS	79,325	76,228
FIXED-INCOME INVESTMENTS		
Corporate Bonds	697,893	681,396
U.S. Government Notes & Bonds	390,292	383,578
U.S. Government Agency and Commercial Mortgage-backed securities	26,172	33,144
TOTAL FIXED-INCOME INVESTMENTS	1,114,357	1,098,118
EQUITY INVESTMENTS		
Common Stock:		
U.S. Large-Cap Equity	701,938	640,638
U.S. Mid-Cap Equity	147,983	130,534
Non-U.S. Developed Markets	137,826	119,084
U.S. Small-Cap Equity	123,164	124,605
Equity mutual funds:		
U.S. Small-Cap Equity	121,160	88,997
Non-U.S. Developed Markets	92,455	101,082
Emerging Markets	91,329	57,784
TOTAL EQUITY INVESTMENTS	1,415,855	1,262,724
OTHER INVESTMENTS		
Participation in the Alternatives Balanced Fund of United Church Funds, Inc.	41,744	-
Participation in the Moderate Balanced Fund of United Church Funds, Inc.	659	39,919
Private Equity	10,031	8,383
Hedge Funds	12,703	-
TOTAL OTHER INVESTMENTS	65,137	48,302
TOTAL INVESTMENTS	$ 2,875,046	$ 2,673,458

Stable Value
At December 31, 2010 and 2009, the portfolio included institutional money market fund shares accounted for at fair value. At December 31, 2009, the fund included a guaranteed investment contract ("GIC") issued by one insurance company rated "A+" by Standard & Poors ("S&P") accounted for at fair value. The Pension Boards has contracted for fully-benefit-responsive wrap agreements that permit members to make routine withdrawals and transfers as permitted by the Annuity Plan, at a stable unit value of $1.00. Fixed maturity synthetic GICs, include an underlying fixed-income security portfolio of mortgage-backed and asset-backed securities and a book value, fully-benefit-responsive wrap. They were issued by three major money center banks and one non-U.S. investment bank, each rated "AAA" by S&P. Constant duration synthetic GICs are investments which include an underlying fixed-income security portfolio of corporate bonds, U.S. government notes, U.S. government agency bonds, commercial mortgage-backed securities and a book value, fully-benefit-responsive wrap. They were issued by two major money center banks, one non-U.S. investment bank and one non-U.S. life insurance and annuity company, each rated "AA+" by S&P. For 2010 and 2009, the average yield of the portfolio was 3.53% and 3.72%, respectively, while the annualized crediting interest rates at December 31, 2010 and 2009 were 3.24% and 3.76%, respectively. Crediting rates are set monthly and are not less than zero.

Short-Term Investments
Short-Term Investments consists of institutional money market fund shares.

Fixed-Income Investments
Fixed-Income Investments include corporate bonds, U.S. government notes and bonds, U.S. government agency bonds, U.S. government agency mortgage-backed securities and commercial mortgage-backed securities.

Equity Investments
Common Stock includes domestic and international issues diversified among investment managers who emphasize various investment styles. At December 31, 2010 and 2009, common stock included approximately 12.4% and 11.7% respectively, in non-U.S. securities. Investment in non-U.S. securities adds certain risks related to the currency of the foreign markets in which the securities are issued. Those investments with currency risk are spread over 19 and 18 different foreign countries at December 31, 2010 and 2009, respectively, with 12 and 11 denomination currencies at December 31, 2010 and 2009, respectively. At December 31, 2010 and 2009, Non-U.S. investments include securities purchased in the currencies of industrialized nations (98.2% and 95.0%, respectively) and in U.S. dollars (1.8% and 5.0%, respectively).

Equity mutual funds include Dimensional Fund Advisors ("DFA") U.S. Small-Cap Value Portfolio, DFA Emerging Markets Value Portfolio and Dodge & Cox International Stock Fund.

Other Investments
Other Investments include participation in the UCF Alternatives Balanced Fund and UCF Moderate Balanced Fund of United Church Funds, Inc. ("UCF"), an Associated Ministry of the UCC, and investments in three private equity and three hedge funds. At December 31, 2010, the Pension Boards had unfunded capital commitments of $15 million. Certain of the limited partnership interests are subject to redemption restrictions.

The Pension Boards is the income beneficiary of the Pilgrim Memorial Fund ("PMF"), an endowment fund held in perpetual trust by UCF. Under the terms of the endowment, income calculated at five percent (5%) of the five-year moving average of PMF as of the previous September 30 is distributed quarterly by UCF to the Pension Boards. In accordance with GAAP, the interest in the PMF endowment fund is included in Investments in the Combined Statements of Net Assets and is valued based on the fair market value of the investments held in the UCF Alternatives Balanced Fund at December 31, 2010 and UCF Moderate Balanced Fund at December 31, 2010 and 2009. The Combined Statements of Activities includes income transferred from PMF of $2.1 million and $2.2 million in 2010 and 2009, respectively, classified as Investment Income and the change in the Pension Boards' interest in the PMF endowment fund of $.9 million and $4.6 million, respectively, classified as realized and unrealized investment gains.

Net investment gains include realized gains (losses) on investment sales and the change in unrealized appreciation on investments held at year-end. The net amounts are comprised of the following:

(Dollars in Thousands)	2010	2009
Realized gains (losses) on investment sales	$ 98,088	$ (115,481)
Unrealized appreciation on investments	108,800	406,162
Net Investment Gains	$ 206,888	$ 290,681

6. FAIR VALUE MEASUREMENTS

Fair Value Hierarchy

All financial instruments that are measured and reported on a fair value basis are classified according to a fair value hierarchy. The fair value hierarchy ranks the quality and reliability of the information used to determine fair values. The three levels of fair value hierarchy are:

- Level 1: Unadjusted quoted prices in active markets that are accessible at the measurement date for identical assets and liabilities.
- Level 2: Quoted prices in markets that are not considered to be active or financial instruments for which all significant inputs are observable, either directly or indirectly.
- Level 3: Prices or valuations that require inputs that are both significant to the fair value measurement and unobservable.

A financial instrument's level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement.

A review of fair value hierarchy classifications is conducted annually. Changes in the observability of valuation inputs may result in a reclassification for certain financial assets or liabilities. Reclassifications impacting Level 3 of the fair value hierarchy are reported as transfers in/out of the Level 3 category as of the beginning of the period in which the reclassifications occur.

The following tables set forth by level within the fair value hierarchy investment assets and liabilities as of December 31, 2010 and 2009 and changes in fair value of the Pension Boards' Level 3 investments during the years ended December 31, 2010 and 2009:

	Investments as of December 31, 2010		
(Dollars in Thousands)	Level 1	Level 2	Level 3
STABLE VALUE INVESTMENTS			
Institutional Money Market Fund shares	$ 64,924	$ -	$ -
Fixed maturity synthetic guaranteed investment contracts:			
Mortgage-backed and asset-backed securities	-	13,187	-
Constant duration synthetic guaranteed investment contracts:			
Corporate Bonds	-	73,044	-
U.S. Government Notes & Bonds	44,410	-	-
U.S. Government Agency and Commercial Mortgage-backed securities	-	4,807	-
TOTAL STABLE VALUE INVESTMENTS	109,334	91,038	-
SHORT-TERM INVESTMENTS			
Institutional Money Market Fund shares	79,325	-	-
TOTAL SHORT-TERM INVESTMENTS	79,325	-	-
FIXED-INCOME INVESTMENTS			
Corporate Bonds	-	697,893	-
U.S. Government Notes & Bonds	390,292	-	-
U.S. Government Agency and Commercial Mortgage-backed securities	-	26,172	-
TOTAL FIXED-INCOME INVESTMENTS	390,292	724,065	-
EQUITY INVESTMENTS			
Common Stock:			
U.S. Large-Cap Equity	701,938	-	-
U.S. Mid-Cap Equity	147,983	-	-
Non-U.S. Developed Markets	137,826	-	-
U.S. Small-Cap Equity	123,164	-	-
Equity mutual funds:			
U.S. Small-Cap Equity	121,160	-	-
Non-U.S. Developed Markets	92,455	-	-
Emerging Markets	91,329	-	-
TOTAL EQUITY INVESTMENTS	1,415,855	-	-
OTHER INVESTMENTS			
Participation in the Alternatives Balanced Fund of United Church Funds, Inc.	-	-	41,744
Participation in the Moderate Balanced Fund of United Church Funds, Inc.	-	-	659
Private Equity	-	-	10,031
Hedge Funds	-	5,086	7,617
TOTAL OTHER INVESTMENTS	-	5,086	60,051
TOTAL INVESTMENTS	$ 1,994,806	$ 820,189	$ 60,051
Invested collateral under security lending agreements	$ 247,774		

CHANGES IN LEVEL 3 INVESTMENTS	
Balance January 1, 2010	$ 48,302
Net purchases, sales, issuances and settlements	6,430
Unrealized gain	5,319
Balance December 31, 2010	60,051

(Dollars in Thousands)	Investments as of December 31, 2009		
	Level 1	Level 2	Level 3
STABLE VALUE INVESTMENTS			
Institutional Money Market Fund shares	$ 52,861	$ -	$ -
Guaranteed investment contracts	-	1,893	-
Fixed maturity synthetic guaranteed investment contracts:			
Mortgage-backed and asset-backed securities	-	29,560	-
Constant duration synthetic guaranteed investment contracts:			
Corporate Bonds	-	71,511	-
U.S. Government Notes & Bonds	25,268	-	-
U.S. Government Agency and Commercial Mortgage-backed securities	-	6,993	-
TOTAL STABLE VALUE INVESTMENTS	78,129	109,957	-
SHORT-TERM INVESTMENTS			
Institutional Money Market Fund shares	76,228	-	-
TOTAL SHORT-TERM INVESTMENTS	76,228	-	-
FIXED-INCOME INVESTMENTS			
Corporate Bonds	-	681,396	-
U.S. Government Notes & Bonds	383,578	-	-
U.S. Government Agency and Commercial Mortgage-backed securities	-	33,144	-
TOTAL FIXED-INCOME INVESTMENTS	383,578	714,540	-
EQUITY INVESTMENTS			
Common Stock:			
U.S. Large-Cap Equity	640,638	-	-
U.S. Mid-Cap Equity	130,534	-	-
Non-U.S. Developed Markets	119,084	-	-
U.S. Small-Cap Equity	124,605	-	-
Equity mutual funds:			
U.S. Small-Cap Equity	88,997	-	-
Non-U.S. Developed Markets	101,082	-	-
Emerging Markets	57,784	-	-
TOTAL EQUITY INVESTMENTS	1,262,724	-	-
OTHER INVESTMENTS			
Participation in the Moderate Balanced Fund of United Church Funds, Inc.	-	-	39,919
Private Equity	-	-	8,383
TOTAL OTHER INVESTMENTS	-	-	48,302
TOTAL INVESTMENTS	$ 1,800,659	$ 824,497	$ 48,302
Invested collateral under security lending agreements	$ 147,010		

CHANGES IN LEVEL 3 INVESTMENTS	
Balance January 1, 2009	$ 40,521
Net purchases, sales, issuances and settlements	430
Unrealized gain	7,351
Balance December 31, 2009	48,302

7. SECURITIES LENDING PROGRAM

The Pension Boards participates in a securities lending program with various brokers and dealers in securities through its custodian bank. The Statement of Investment Policy of the Pension Boards includes policies and guidelines relating to securities lending, including guidelines for the reinvestment of cash collateral in a separately managed portfolio with an average maturity not to exceed 45 days. It is the Pension Boards' policy to hold, as collateral, cash in amounts at least equal to or greater than 102% or 105% of the market value of each U.S. and non-U.S. security loaned, respectively, until the loaned security is returned. The market value of securities under loan at December 31, 2010 and 2009 was approximately $242 million and $142 million, respectively. At December 31, 2010, securities on loan consisted of U.S. Treasury bonds, U.S. government agency bonds, corporate bonds and equities. The Pension Boards held collateral against the loaned securities of approximately $247.8 million and $147.0 million at each year-end. Collateral obligations are classified as payables under securities loan agreements in the accompanying Combined Statements of Net Assets.

8. ENDOWMENTS

Endowments include both donor-restricted endowment funds and funds designated by the Board of Trustees to function as endowments. Endowment funds are administered in accordance with the laws of the state in which the corporations are incorporated and are accounted for in accordance with applicable generally accepted accounting principles.

Board designated funds functioning as endowments include the original principal amounts of gifts and legacies received which have no donor-imposed restrictions on their use and related accumulated gains and losses and income. These funds, which can be used for the general purpose of the corporation to which they were donated, are classified as unrestricted net assets.

Donor-restricted endowment funds are classified as restricted net assets. Permanently restricted endowment funds include the Pension Boards' interest in the PMF endowment fund as described in Note 5 and receipts of gifts and legacies where the principal balance must be maintained in perpetuity. The original principal of permanently restricted gifts and legacies which has donor-imposed restrictions on income was $2,352,808 at December 31, 2010 and 2009. The original principal amount of permanently restricted gifts and legacies which has no donor-imposed restrictions on the use of income was $3,245,531 at December 31, 2010 and $3,245,371 at December 31, 2009. Accumulated gains and losses and interest income on permanently restricted gifts and legacies are classified as temporarily restricted net assets until appropriated for expenditure. Expenditures of $506,315 in 2010 and $517,129 in 2009 were transferred to unrestricted net assets.

During 2010, permanently restricted endowments were invested in the Equity, Bond and Balanced Funds of the Pension Boards and the Alternatives Balanced and Moderate Balanced Funds of United Church Funds. During 2009, permanently restricted endowments were invested in the Equity, Bond and Balanced Funds of the Pension Boards and the Moderate Balanced Fund of United Church Funds.

In making a determination to appropriate or accumulate donor-restricted endowment funds, the following factors are taken into consideration: the duration and preservation of the fund, the purposes of the organization and the donor-restricted endowment fund, general economic conditions, the possible effect of inflation and deflation, the expected total return from income and the appreciation of investment, other resources and investment policies.

9. OTHER ASSETS AND OTHER LIABILITIES

	(Dollars in Thousands)	
	December 31, 2010	December 31, 2009
OTHER ASSETS		
Account Receivable	$ 565	$ 758
Receivable from affiliated entities and deposits	1,544	1,516
Prepaid expenses	301	337
Fixed assets	433	655
TOTAL OTHER ASSETS	$ 2,843	$ 3,266

Other liabilities includes accounts payable of $2.0 million and $2.4 million at December 31, 2010 and 2009, respectively, and miscellaneous liabilities of $.3 million and $.1 million at December 31, 2010 and 2009.

10. LEASE COMMITMENTS

The Pension Boards has entered into several non-cancelable operating leases for office space and equipment. At December 31, 2010, the aggregate future minimum payments for these commitments were as follows:

Year Ending	Amount (000's)
2011	$ 704
2012	731
2013	685
2014	420
	$ 2,540

The annual lease amount for rent is subject to modification based upon actual operating costs of the building. The Pension Boards' rental expense for the years ended December 31, 2010 and 2009 was $545,150 and $543,697, respectively.

11. COMBINED ACTIVITIES BY FUND

The combined activities by fund for the year ended December 31, 2010 is as follows:

(Dollars in Thousands)	ANNUITANT FUND	ACCUMULATION FUND	BENEFIT SERVICES FUND	MINISTERIAL ASSISTANCE FUND	OPERATING FUND	TOTAL
ADDITIONS:						
Realized and unrealized investment gains	$ 99,460	$ 94,829	$ 5,223	$ 4,518	$ 2,858	$ 206,888
Investment income	44,966	33,435	3,483	1,454	2,456	85,794
Health Services premiums			57,422			57,422
Employer pension contributions		33,226				33,226
Member pension contributions		7,421				7,421
Christmas Fund appeal				1,493		1,493
Our Church's Wider Mission				510		510
Donations and Legacies				252	418	670
Interfund transfers	71,287	(77,439)		(1,017)	7,169	-
Other	344	250	32	15	14	655
TOTAL ADDITIONS	216,057	91,722	66,160	7,225	12,915	394,079
DEDUCTIONS:						
Pension payments to annuitants	107,079					107,079
Partial withdrawals and lump-sum payments		15,144				15,144
Health Services claims			51,458			51,458
Health Services costs			5,629			5,629
Retirement benefits administration and investment costs	3,779	4,176	321	190	8,144	16,610
Ministerial Assistance grants				2,822		2,822
Ministerial Assistance programs and administration costs				1,283		1,283
TOTAL DEDUCTIONS	110,858	19,320	57,408	4,295	8,144	200,025
INCREASE IN NET ASSETS	$ 105,199	$ 72,402	$ 8,752	$ 2,930	$ 4,771	$ 194,054
DECEMBER 31, 2009 NET ASSETS	1,320,076	1,173,236	90,067	50,677	50,459	2,684,515
INCREASE IN NET ASSETS	105,199	72,402	8,752	2,930	4,771	194,054
DECEMBER 31, 2010 NET ASSETS	$ 1,425,275	$ 1,245,638	$ 98,819	$ 53,607	$ 55,230	$ 2,878,569

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